

Legislative Update 2010

Changes to Utah Retirement Systems

1

Legislative Concerns

- Recent declines in the market
- Future contribution rate increases
- Employer budget constraints

2

2010 Legislative Changes

- SB-43: Post-Retirement Employment
- SB-63: New Public Employees' Tier II Contributory

3

Senate Bill 43

Post-Retirement Employment

4

Rehired **prior** to July 1, 2010 Same Agency – within 6 months

Less than 20 hours

- Receive retirement check
- Retirement check reduced if:
 - Earned income exceeds Social Security limits
 - 2010 limit = \$14,160 under full draw age

20 hours or more

- Retirement check canceled
- Accrue additional service credit

5


Rehired **prior** to July 1, 2010 Same Agency – after 6 months

- No earnings restrictions
- No additional service accrual
- Retirement check continues
- Employer contributions to 401(k) are :
 - Required until July 1, 2010 (full contribution rate)
 - Optional after July 1, 2010 (capped at normal rate)

6

Rehired prior to July 1, 2010

Different Agency

 The picture can't be displayed.

- Rehired any time after retirement date
- Continued monthly retirement check
- No additional service accrual
- Employer contributions to 401(k) are :
 - Required until July 1, 2010 (full contribution rate)
 - Optional after July 1, 2010 (capped at normal rate)

7

Rehired after July 1, 2010

any URS employer - within 12 months

- Retirement check canceled

Regardless of position:

 - Part time
 - Seasonal/temporary
 - Full time
 - Contract employee
- Continue to earn service credit
 - If meets eligibility requirements
 - Two year vesting on new service
- Employer pays full contribution rate to pension

8

Rehired after July 1, 2010 any URS employer - after 12 months

Employee chooses to:

1. Continue receiving retirement check
 - No additional service credit
 - Employer pays amortized rate to pension

or

2. Cancel retirement check
 - Earn additional service credit
 - Two year vesting on new service
 - Employer pays full contribution rate to pension

9

Removes the Cap on the Maximum Retirement Benefit

Prior to July 1, 2010:

- Capped at 30 years = 70%

No Cap After July 1, 2010:

- Public Safety
- Firefighters
- Judges

10

Senate Bill 63

New Public Employees' Tier II Contributory Retirement Act

11

Pension Changes	
Tier I	Tier II
<ul style="list-style-type: none"> • 30 year retirement Public • 20 year Public Safety/Fire • 2% multiplier • 2.5% Public Safety/Fire • 3 year final average salary • 4% cost of living increase limit 	<p><u>Hybrid option</u></p> <ul style="list-style-type: none"> • 35 year retirement Public • 25 year Public Safety/Fire • 1.5% multiplier • 5 year final average salary • 2.5% cost of living increase limit <p><u>Defined Contribution Option</u></p> <ul style="list-style-type: none"> • 10% Public system • 12% Public Safety/Fire

12

Tier II Public System

10% Retirement Package

- Hybrid Option
 - Contribution rate to pension
 - Difference between contribution rate and 10% to 401(k)
 - If contribution rate exceeds 10%, employee pays difference

OR

- Defined Contribution Option
 - 10% 401(k) contribution
 - 4 year vesting

13

Tier II Public Safety/Fire Systems

12% Retirement Package

- Hybrid Option
 - Contribution rate to pension
 - Difference between contribution rate & 12% to 401(k)
 - If contribution rate exceeds 12%, employee pays difference

OR

- Defined Contribution Option
 - 12% 401(k) contribution
 - 4 year vesting

14

Retirement Qualifications Public System	
Tier I	Tier II
<ul style="list-style-type: none"> • 4 years of service at age 65 • 10 years of service at age 62* • 20 years of service at age 60* • 25 years of service at any age* • 30 years of service at any age <p><i>*Actuarial reduction if under age 65 with fewer than 30 years of service</i></p>	<ul style="list-style-type: none"> • 4 years of service at age 65 • 10 years of service at age 62* • 20 years of service at age 60* • 30 years of service at any age (only with service purchase) • 35 years of service at any age <p><i>*Actuarial reduction if under age 65 with fewer than 35 years of service</i></p>

15

Retirement Qualifications Public Safety/Fire Systems	
Tier I	Tier II
<ul style="list-style-type: none"> • 4 years of service at age 65 • 10 years of service at age 60 • 20 years of service at any age 	<ul style="list-style-type: none"> • 4 years of service at age 65 • 10 years of service at age 62* • 20 years of service at age 60* • 25 years of service at any age <p><i>*Actuarial reduction if under age 65 with fewer than 25 years of service</i></p>

16


Benefit Calculation Example	
Tier I	Tier II
Years of Service	Years of Service
x	x
2%	1.5%
x	x
Average of 3 Highest Years Salary	Average of 5 Highest Years Salary
=	=
Basic Benefit	Basic Benefit

17

Benefit Calculation Example		
<u>Example:</u>	<u>Tier I</u>	<u>Tier II</u>
Years of Service	30 years	35 years
x	=	=
2/1.5%	60%	52.5%
x	x	x
Average of 3/5 Highest years salary	\$40,000	\$39,000
=	=	=
basic benefit	\$24,000	\$20,475

18

Utah Retirement Defined Benefit/Contribution Summary 2010 System Comparison

	Public Employees' Non-Contributory (Big System)	Tier II New Public Employees' Contributory Hybrid	Tier II Defined Contribution New Public Employees' and New Public Safety and Firefighters'	Public Safety Non-Contributory and Firefighters' Contributory	Tier II New Public Safety and Firefighters' Contributory Hybrid
	(Existing employees and hires before July 1, 2011)	(One of two options for new employees beginning July 1, 2011)	(One of two options for new employees beginning July 1, 2011)	(Existing employees and hires before July 1, 2011)	(One of two options for new employees beginning July 1, 2011)
Final Average Salary Definition	Average of highest 3 years	Average of highest 5 years	N.A.	Average of highest 3 years	Average of highest 5 years
Cost of Living Adjustment	Up to 4% annually (CPI) (Simple) after 1 year	Up to 2.5% annually (CPI) (Simple) after 1 year	N.A.	Up to 4.0% annually (CPI) (Simple) after 1 year (some public safety employers have not yet adopted 4.0% remain at up to 2.5%)	Up to 2.5% annually (CPI) (Simple) after 1 year
Employer Defined Contribution Benefit % of Salary	State/School: 1.5% 401(k) Local government: Optional	Some percent, if any, left after funding the defined benefit	*10% (all public employees, legislators, and governors) *12% (all public safety officers and firefighters)	State: None Local government: Optional	Some percent, if any, left after funding the defined benefit
Employer/ Employee Contribution	Employer: for FY 2010 14.22% for state and school Employee: 0% noncontributory	*Employer: 10% of salary Employee: some percent of salary, if the employer's 10% does not fund the defined benefit	N.A.	Employer: for FY 2010 30.18% for state P.S. 12.95 for div. A Firefighters (less 11.87% offset for insurance premium) Employee: 0% state P.S. noncontributory 15.05 div. A Firefighters	*Employer: 12% of salary Employee: some percent of salary, if the employer's 12% does not fund the defined benefit